

Storm Exploration Inc.
(formerly Lithoquest Resources Inc.)

Condensed Interim Consolidated Financial Statements

Six Months ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed an audit or review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada.

Storm Exploration Inc.

(formerly Lithoquest Resources Inc.)

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at	September 30, 2022	March 31, 2022
ASSETS		
Current Assets		
Cash	\$ 638,812	\$ 2,309,295
Sales taxes recoverable	39,019	253,063
Prepaid expenses	241,916	112,848
Total current assets	919,747	2,675,206
Total assets	\$ 919,747	\$ 2,675,206
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (note 7)	\$ 569,706	\$ 1,080,200
Flow-through premium liability (note 4)	40,882	79,234
Total current liabilities	610,588	1,159,434
Equity		
Share capital (note 5)	15,722,939	15,366,638
Contributed surplus	2,094,940	1,764,440
Deficit	(17,508,720)	(15,615,306)
Total equity	309,159	1,515,772
Total liabilities and equity	\$ 919,747	\$ 2,675,206

Nature of the Company and continuance of operations (note 1)

Contingent liability (note 7)

On behalf of the Board of Directors:

“Bruce Counts”

Director

“Lon Shaver”

Director

The accompanying notes are an integral part of these consolidated financial statements.

Storm Exploration Inc.

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Condensed Interim Consolidated Statements of Comprehensive Loss

For the six months ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

	Three Months		Six Months	
	2022	2021	2022	2021
Expenses				
Care and maintenance	\$ 3,878	\$ 20,870	\$ 16,606	\$ 40,937
Exploration and evaluation (<i>note 3</i>)	46,478	669,298	1,030,423	699,779
Management and consulting fees	88,276	88,485	201,800	161,422
Marketing and corporate development	73,105	48,296	232,364	83,744
Office and general	12,759	23,725	29,663	36,832
Professional fees	31,000	30,165	48,167	54,050
Regulatory and shareholder services	3,967	6,095	13,992	7,917
Share-based payments (<i>note 5</i>)	-	256,600	330,500	256,600
Travel	14,429	15,521	43,655	15,521
Loss before other items	(273,892)	(1,159,055)	(1,947,170)	(1,356,802)
Other items				
Foreign exchange (gain) loss	339	(1,285)	(8,340)	(9,458)
Interest income	(4,956)	(1,686)	(7,064)	(1,686)
Premium on flow-through shares (<i>note 4</i>)	(13,134)	(22,700)	(38,352)	(22,700)
Net loss and comprehensive loss	\$ (256,141)	\$ (1,133,384)	\$ (1,893,414)	\$ (1,322,958)
Loss per share - basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding	124,261,494	90,736,881	122,672,079	79,103,794

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Storm Exploration Inc.

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Condensed Interim Consolidated Statements of Changes in Equity

For the six months ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

	Share Capital				Total Equity
	Number of Shares	Amount	Contributed Surplus	Deficit	
Balance, March 31, 2021	67,161,881	\$ 9,367,058	\$ 1,397,140	\$ (11,129,853)	\$ (365,655)
Units issued for cash	18,095,000	1,809,500	-	-	1,809,500
Flow-through shares issued for cash	5,480,000	685,000	-	-	685,000
Premium liability	-	(27,400)	-	-	(27,400)
Issuance costs	-	(168,189)	64,800	-	(103,389)
Share-based compensation	-	-	256,600	-	256,600
Comprehensive loss	-	-	-	(1,322,958)	(1,322,958)
Balance, September 30, 2021	90,736,881	\$ 11,665,969	\$ 1,718,540	\$ (12,452,811)	\$ 931,698
Balance, March 31, 2022	120,839,578	\$ 15,366,638	\$ 1,764,440	\$ (15,615,306)	\$ 1,515,772
Shares issued for option payment (notes 3 & 5)	3,421,916	359,301	-	-	359,301
Share issuance costs (note 5)	-	(3,000)	-	-	(3,000)
Share-based payments (note 5)	-	-	330,500	-	330,500
Comprehensive loss	-	-	-	(1,893,414)	(1,893,414)
Balance, September 30, 2022	124,261,494	\$ 15,722,939	\$ 2,094,940	\$ (17,508,720)	\$ 309,159

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Storm Exploration Inc.

(formerly Lithoquest Resources Inc.)

Condensed Interim Consolidated Statements of Cash Flows

For the six months ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

	2022	2021
Cash flow used in operating activities		
Loss for the period	\$ (1,893,414)	\$ (1,322,958)
Item not affecting cash		
Share-based payments (<i>note 5</i>)	689,801	256,600
Premium on flow-through shares	(38,352)	(22,700)
	(1,241,965)	(1,089,058)
Non-cash working capital items (<i>note 6</i>)	(425,518)	(188,645)
	(1,667,483)	(1,277,703)
Cash flow from financing activities		
Proceeds from the issuance of units	-	1,809,500
Proceeds from the issuance of flow-through shares	-	685,000
Share issuance costs	(3,000)	(103,389)
	(3,000)	2,391,111
Increase (Decrease) in cash	(1,670,483)	1,113,408
Cash, beginning of year	2,309,295	146,050
Cash, end of period	\$ 638,812	\$ 1,259,458

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Storm Exploration Inc.

(formerly Lithoquest Resources Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

1. Nature of the Company and Continuance of Operations

Storm Exploration Inc. (formerly Lithoquest Resources Inc.) (“Storm” or the “Company”) was incorporated on February 25, 1986 in Alberta, Canada. In April 2014, it was continued from the jurisdiction of Alberta to British Columbia, Canada. On October 8, 2022 the Company changed its name to Storm Exploration Inc. from Lithoquest Resources Inc.

The Company is engaged in the acquisition and exploration of mineral properties. The Company’s head office is at 1480 - 885 W. Georgia Street, Vancouver, BC V6C 3E8.

The Company has not generated significant revenues or cash flows from operations and has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. As at September 30, 2022, the Company had a working capital of \$309,159. The Company has incurred negative cash flows from operations, recorded a loss of \$1,893,414 for the six months ended September 30, 2022, and has an accumulated deficit of \$17,508,720 as at September 30, 2022.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

2. Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended March 31, 2022, prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s consolidated financial statements for the year ended March 31, 2022, unless otherwise stated.

These financial statements were authorized for issue by the Board of Directors of the Company on November 28, 2022.

Storm Exploration Inc.

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Notes to the Condensed Interim Consolidated Financial Statements

Six months ended September 30, 2022 and 2021

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3. Exploration and Evaluation Expenses

The Miminiska-Fort Hope Greenstone Belt Projects

The following is a summary of accumulated exploration and evaluation expenses:

Balance, March 31, 2022	\$ 3,546,236
Expenditures	286,779
Option payment	609,301
Balance, September 30, 2022	\$ 4,442,316

The Miminiska-Fort Hope Greenstone Belt Projects are three district scale gold properties; Miminiska, Keezhik and Attwood, which cover more than 41,000 ha within the traditional territory of the Eabametoong First Nation in northwestern Ontario.

On June 24, 2022, the Company paid the 12-month option payment due under the Option Agreement with Landore Resources Canada Inc. ("Landore") by paying \$250,000 cash and issuing 3,421,916 common shares at a deemed price of \$0.146117 per share to Landore. The shares were recorded at the fair market value at the time of issuance of \$0.105 per share.

The transaction was accepted by the TSX on June 24, 2021.

Table 1 -Option Payments for 100% interest in Miminiska and Keezhik properties

Payment Date	Cash	Convertible Cash
On signing of the Option Agreement (paid)	\$25,000	Nil
July 4, 2021 (paid)	\$100,000	Nil
6-month payment: December 24, 2021 (paid)	\$250,000	\$400,000
12-month payment: June 24, 2022 (paid)	\$250,000	\$500,000
18-month payment: December 24, 2022	\$250,000	\$750,000
24-month payment: June 24, 2023	\$500,000	\$1,000,000
Total	\$1,375,000	\$2,650,000

Gold Standard Project

The following is a summary of accumulated exploration and evaluation expenses:

Balance, March 31, 2022	\$ -
Expenditures	90,278
Property acquisition and administration	44,065
Balance, September 30, 2022	\$ 134,343

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3. Exploration and Evaluation Expenses - continued

Gold Standard Project - continued

On April 21, 2022, the Company entered into an Option Agreement with Messrs. Allan Onchulenko and Peter Gehrels (the “Vendors”) to acquire a 100% interest in the 615 ha Gold Standard property (the “Property”) located in northwest Ontario, for a purchase price of \$120,000 payable in a combination of cash and the Company’s common shares. The Company has also staked an additional 252 mineral claims surrounding the Property, bringing the total project area to 5,953 ha.

Under the terms of the Option Agreement, the Company will earn a 100% interest in the Property by making the scheduled payments defined in Table 2 to the Vendors. A convertible cash payment can either be made in cash or common shares of the Company, at the Company’s election. The Vendors will retain a 2% Net Smelter Royalty (“NSR”) on the original 615 ha Property and any claims acquired by the Company within a two-kilometre radius of the perimeter of the Property. Storm can buy back 1% of the NSR by paying the Vendors \$750,000 at any time.

The transaction was accepted by the TSX on May 10, 2022 (the “Effective Date”).

Table 2 - Option Payments for 100% interest in Gold Standard property

Payment Date	Cash	Convertible Cash
On signing of the LOI (paid)	\$5,000	Nil
10 days after the Effective Date (paid)	\$10,000	\$15,000
12 months after the Effective Date	\$20,000	\$20,000
24 months after the Effective Date	\$25,000	\$25,000
Total	\$60,000	\$60,000

North Kimberly Diamond Project

The North Kimberly Diamond Project remained on care and maintenance during the period.

4. Deferred Premium Liability

The premium paid for flow-through shares in excess of the market value of the shares without the flow-through features is initially recognized as a liability. The liability is subsequently reduced and recorded in the consolidated statements of comprehensive loss on a pro-rata basis based on the corresponding eligible expenditures that have been incurred when it is the Company's intention to file the appropriate renunciation forms with the Canadian taxation authorities.

During the period, the Company incurred qualifying exploration expenditures totalling \$441,806 and \$38,352 deferred premium liability was recognized as income in the consolidated statements of comprehensive loss. The Company has an obligation to spend a further \$470,861 by December 31, 2023.

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5. Share Capital

Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

Issued shares

On June 24, 2022, the Company issued 3,421,916 common shares at a deemed price of \$0.146117 per share to Landore Resources Canada Inc. in connection with an option payment due under its Option Agreement with Landore. The fair market value of the shares was \$0.105 per share for a total of \$359,301.

The issuance costs, consisting of regulatory fees, were \$3,000.

Stock Options

The continuity of share purchase options is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, March 31, 2022	8,860,000	0.19
Granted (a)	2,450,000	0.20
Outstanding, September 30, 2022	11,310,000	\$ 0.19

- (a) On May 2, 2022, the Company granted 2,450,000 stock options to directors, officers and consultants of the Company. The options vested on grant date and are exercisable at \$0.20 per share for 5 years. The stock options were valued at \$330,500 using the Black-Scholes option-pricing model with the following assumptions: expected life of 5 years, risk-free rate of 2.78%, expected dividend yield of 0%, and expected volatility of 150%. The share price at the time of the grant was \$0.15.

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Notes to the Condensed Interim Consolidated Financial Statements

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5. Share Capital - continued

Stock Options - continued

As at September 30, 2022, the following options were outstanding and exercisable:

Expiry Date	Remaining Contractual Life (in years)	Number of Options	Exercise Price
November 23, 2022	0.1	1,775,000	\$ 0.27
January 2, 2023	0.3	500,000	0.40
April 5, 2023	0.5	200,000	0.56
July 12, 2023	0.8	160,000	0.60
December 17, 2023	1.2	800,000	0.16
July 30, 2025	2.8	2,225,000	0.10
September 30, 2025	3.0	600,000	0.10
July 9, 2026	3.8	2,500,000	0.15
July 28, 2026	3.8	100,000	0.15
May 2, 2027	4.6	2,450,000	0.20
Balance, September 30, 2022		11,310,000	

During the period the Company recognized \$330,500 (2021 - \$256,600) in share-based payments. As of September 30, 2022, all options issued under the Plan were fully vested.

Warrants

There were no changes during the period in share purchase warrants outstanding.

6. Additional Cash Flow Information

The net change in non-cash working capital consists of the following:

	September 30, 2022	September 30, 2021
Sales taxes recoverable	\$ 214,044	\$ (54,318)
Prepaid expenses	(129,068)	(43,620)
Accounts payable and accrued liabilities	(510,494)	(90,707)
	\$ (425,518)	\$ (188,645)

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7. Contingency

Stamp duty

Accounts payable and accrued liabilities include an accounting provision for stamp duty payable of \$238,037 (AUD\$268,000) (March 31, 2022 \$250,955- AUD\$268,000). Stamp duty in Western Australia is payable by the purchaser on the transfer of property, including mining tenements, and is applied at the rate of 5.15% where the value of the property exceeds AUD\$2,000,000. This accounting provision was recorded at the time of the reverse take-over transaction which transferred indirect ownership of the North Kimberley tenements to the Company. The Company subsequently obtained a formal appraisal of the property which set the value at less than the AUD\$2,000,000 minimum threshold, implying that no stamp duty was payable and the Company made such filings with the Government of Western Australia, Office of State Revenue (“OSR”).

The OSR subsequently engaged their own valuator to prepare a second formal appraisal of the property. Based on the results of that report, which assessed the property at AUD\$5,000,000, the OSR issued a duties assessment notice to the Company on September 25, 2019 of AUD\$469,732, consisting of AUD\$251,415 duty, and AUD\$218,317 penalties and costs.

Following receipt of the assessment notice, and with the OSR understanding, the Company engaged a third independent valuator for the purpose of critiquing the first two reports and producing a third independent valuation report. The Company received that report which concludes that the preferred value of the property is less than the AUD\$2,000,000 minimum threshold. The Company lodged a formal objection to the OSR’s duties assessment notice in February 2020. In November 2020, the OSR obtained a further valuation from Landgate, the Western Australian Government official valuer, which appraised the value of the land at AUS\$2,200,000. The Company is currently in discussion with Revenue WA (formerly known as OSR).

No stamp duty or penalties would be payable if the ultimate fair value determination by Revenue WA or an arbitrator was less than AUD\$2,000,000. Should the ultimate determination be made that the fair value of the property at the time of the reverse take-over transaction was in excess of AUD\$2,000,000, administrative penalties of up to 100% of the calculated amount of stamp duty payable may be applied.